

Product Support Manager Conference DoD Environment



**Honorable Alan F. Estevez | Assistant Secretary of Defense
Logistics and Materiel Readiness**



**Fort Belvoir, VA
November 2, 2011**

THE GOOD.....

THE BAD.....

AND THE UGLY!





The Good.....





The Bad.....



Annual Budget (FY10)

\$ 112 billion in maintenance

\$ 74 billion in supply

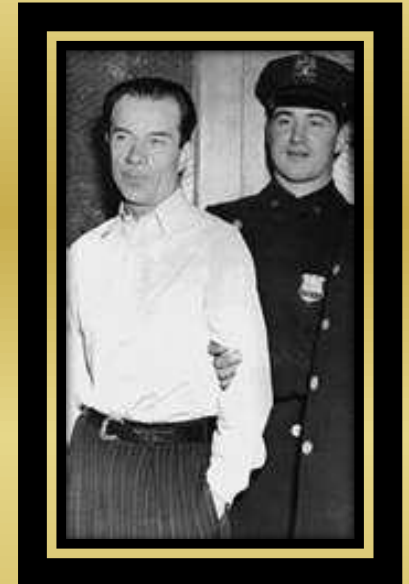
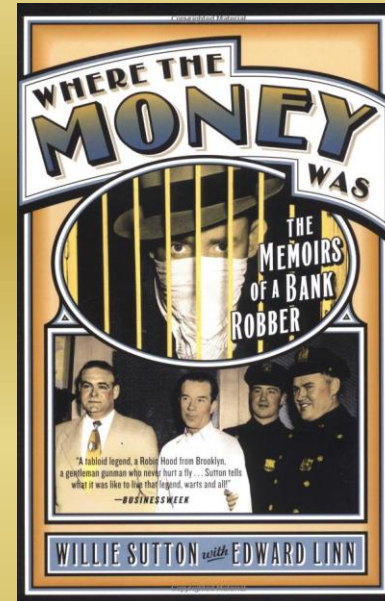
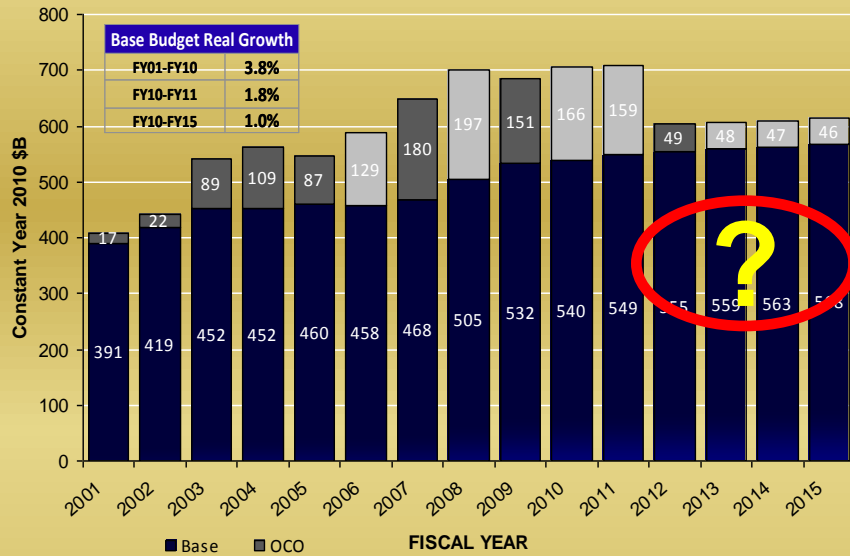
\$ 24 billion in transportation

\$210 billion total logistics costs



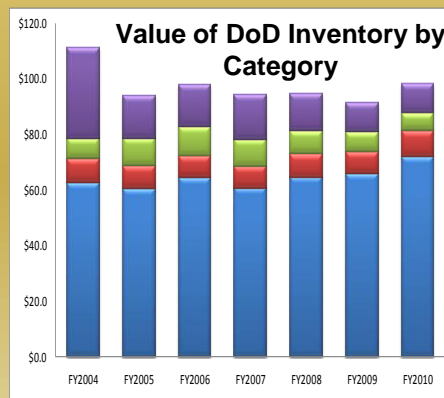


The Ugly....Declining Resources



Improve Inventory Management

- Improve overall DoD inventory management
- Reduce excess inventory on-hand
- Decrease excess inventory on-order
- Specific objectives and targets to improve forecasting and reduce/terminate orders



1. Target Affordability
2. Incentivize Productivity
3. Promote Competition
4. Improve Tradecraft
5. Reduce Bureaucracy

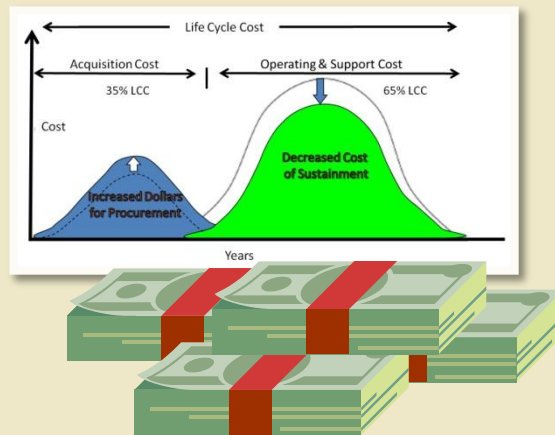




Life-Cycle Logistics

Operating and Support Costs

- “Should Cost”
- Seamless Lifecycle Sustainment Plan
- Better Buying Power
- Incentivizing Contractor to achieve reliability targets



Product Support

- Total Lifecycle Management Support Approach (Acquisition and Sustainment)
- Product Support Assessment Team – developing and fielding the next generation



Proof Point

- Fact based assessment on Performance Based Logistics (PBL)
- Phase I results indicate PBL arrangements reduce DoD's cost and increase readiness availability
- Phase II assessment nearly complete; results reinforce Phase I findings



Product Support Manager – Heavy Lifter

Tools

- Life-Cycle Sustainment Plan
- Business Case Analysis
- Performance Based Agreements
- Product Support Arrangements



Questions





Back-Up

Annual Budget (FY10)

\$ 112 billion in maintenance
\$ 74 billion in supply
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Operational Resources (FY10)

100,000 suppliers
1,000,000+ logisticians (Civilian ~256K;
Active Duty ~517K; Guard/Reserves ~312K)
101,000+ requisitions per day
\$95.6B inventory/4.6M items (SKUs) (FY09)



\$595.5 Billion in Assets

- **500 ships**
- **15,800 aircraft**
- **30,000 combat vehicles**
- **330,000 ground vehicles**

Logistics Operating Locations

- **17 maintenance depots**
- **25 distribution depots (global)**
- **49,000 customer sites**
- **Worldwide air and seaports**





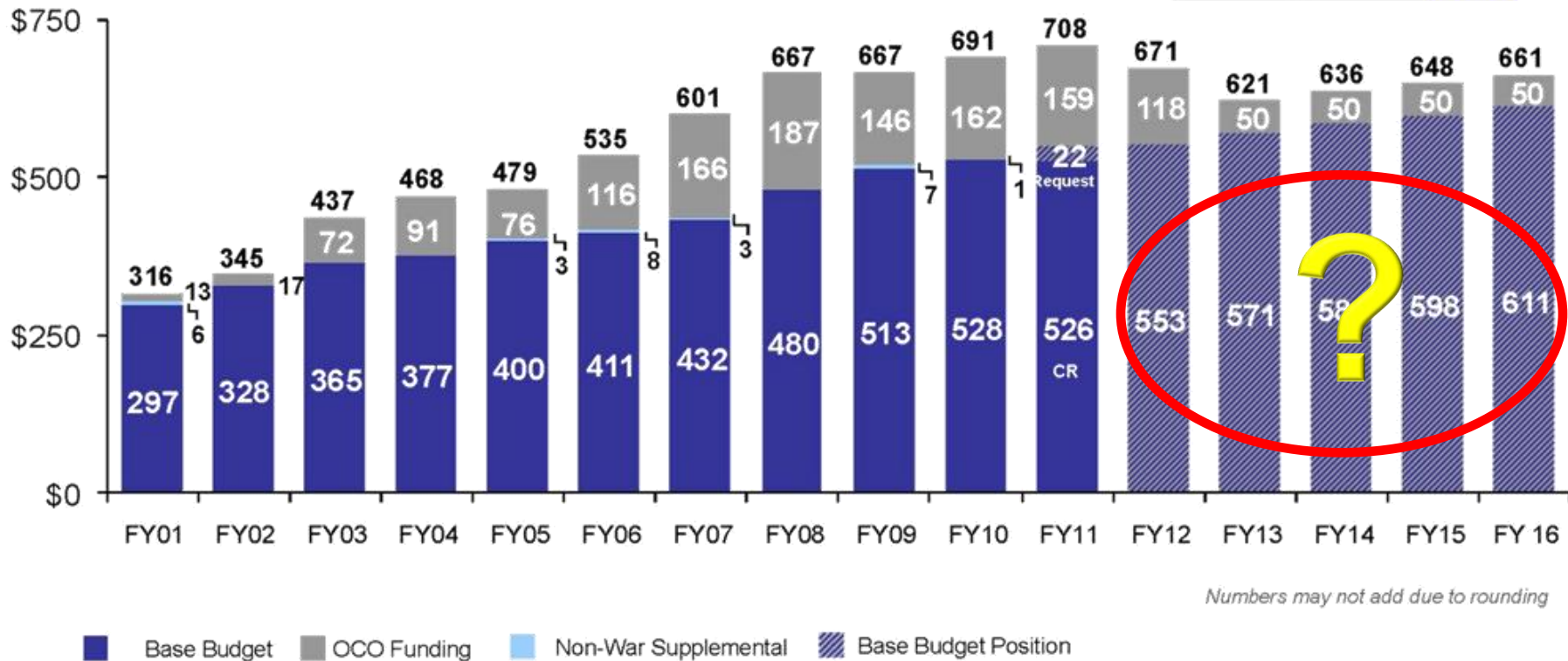
DoD Budget Outlook

Department of Defense Topline

FY 2001 – FY 2016

(Current Dollars in Billions)

FY 2010 – FY 2016 Base Growth	
Nominal Growth	2.5%
Real Growth	0.5%





Better Buying Power – Dr. Carter

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SEP 14 2010

MEMORANDUM FOR ACQUISITION PROFESSIONALS

SUBJECT: Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending

On June 28, I wrote to you describing a mandate to deliver better value to the taxpayer and warfighter by improving the way the Department does business. I emphasized that, next to supporting our forces at war on an urgent basis, this was President Obama's and Secretary Gates' highest priority for the Department's acquisition professionals. To put it bluntly: we have a continuing responsibility to procure the critical goods and services our forces need in the years ahead, but we will not have ever-increasing budgets to pay for them. We must therefore strive to achieve what economists call productivity growth: in simple terms, to DO MORE WITHOUT MORE. This memorandum contains specific Guidance for achieving the June 28 mandate.

Secretary Gates has directed the Department to pursue a wide-ranging Efficiencies Initiative, of which this Guidance is a central part. This Guidance affects the approximately \$400 billion of the \$700 billion defense budget that is spent annually on contracts for goods (weapons, electronics, fuel, facilities etc., amounting to about \$200 billion) and services (IT services, knowledge-based services, facilities upkeep, weapons system maintenance, transportation, etc., amounting to about another \$200 billion). We estimate that the efficiencies targeted by this Guidance can make a significant contribution to achieving the \$100 billion redirection of defense budget dollars from unproductive to more productive purposes that is sought by Secretary Gates and Deputy Secretary Lynn over the next five years.

Since June, the senior leadership of the acquisition community – the Component Acquisition Executives (CAEs), senior logisticians and systems command leaders, OSD officials, and program executive officers (PEOs) and program managers (PMs) – has been meeting regularly with me to inform and craft this Guidance. We have analyzed data on the Department's practices, expenditures, and outcomes and examined various options for changing our practices. We have sought to base the specific actions I am directing today on the best data the Department has available to it. In some cases, however, this data is very limited. In these cases, the Guidance makes provision for future adjustments as experience and data accumulate so that unintended consequences can be detected and mitigated. We have conducted some preliminary estimates of the dollar savings anticipated from each action based on reasonable and gradual, but steady and determined, progress against a clear goal and confirmed that they can indeed be substantial.

Changing our business practices will require the continued close involvement of others. We have sought out the best ideas and initiatives from industry, many of which have been adopted in this Guidance. We have also sought the input of outside experts with decades of experience in defense acquisition.

Why this effort and why now?

